brought into play there will be very grave danger of a credit expansion in this country and a foreign drain of gold which might jeopardise the convertibility of our note issues and the international trade position of the country. . . . We are glad to find that there . was no difference of opinion among the witnesses who appeared before us as to the vital importance of these matters." The first measure that they put forward as essential to this end is the cessation at the earliest possible moment of Government borrowings.

" A large part of the credit expansion arises, as we have shown, from the fact that the expenditure of the Government during the war has exceeded the amounts which they have been able to raise by taxation or by loans from the actual savings of the people. They have been obliged therefore to obtain money through the creation of credits by the Bank of England and the Joint Stock banks, with the result that the growth of purchasing power has exceeded that of purchasable goods and services." It is therefore essential that as soon as possible the State should not only live within its income but should begin to reduce indebtedness, especially the floating debt, which, being largely held by the banks, has been a cause of credit creation on a great scale.

" The shortage of real capital must be made good by genuine savings. It cannot be met by the

creation
of fresh purchasing power in the form of bank
advances to the Government or to manufacturers
under Government guarantee or otherwise, and any
resort to such expedients can only aggravate the ,
evil and retard, possibly for generations, the recovery